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Matthew M. Polka, President

May 21, 2002

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

**Re: Applications for Consent to the Transfer of Control of Licenses of
Comcast Corporation and AT&T Corp.;
MB Docket No. 02-70;
Reply letter of the American Cable Association**

Dear Ms. Dortch:

On behalf of ACA and our more than 930 member companies, I submit this letter concerning the proposed merger of AT&T and Comcast. In our initial comments filed in this docket,¹ we identified key smaller market public interest issues implicated by the merger. We also asked four specific questions concerning the parties' plans to address those public interest issues.

The parties have responded. Demonstrating responsible industry leadership, the parties sought a dialogue with ACA, acknowledged the smaller market public interest concerns raised by ACA, and fairly and unequivocally responded to each of our questions. We anticipate that those responses will be included in the parties' filings today. As a result, based on the representations of the parties, ACA supports the merger and encourages expeditious review by the Commission.

I detail below the basis for ACA's support. In a separate filing, we reply to SBC's demand that as a condition of the merger, AT&T divest its interest in Headend In the Sky ("HITS"). This demand is untenable and should be rejected.

¹ Comments of the American Cable Association, MB Docket No. 02-70 (filed April 29, 2002) ("ACA Comments").

Who we are. ACA represents the interests of more than 900 independent cable companies. Together, ACA members serve about 7.5 million cable and Internet subscribers, primarily in smaller markets and rural areas in all 50 states and in virtually every congressional district. ACA members range from small, family-run cable systems to multiple system operators focusing on smaller systems and smaller markets. Over half of ACA's members serve less than 1,000 subscribers. All ACA members face the challenges of building, operating, and upgrading broadband networks in lower density markets. Many ACA members rely on AT&T-controlled HITS to deliver digital cable services. Nearly all ACA members carry core satellite programming services affiliated with AT&T or Comcast.

ACA's concerns with the proposed merger. As described in our comments, the proposed merger implicates three fundamental goals and objectives of the Communications Act and Commission policy.² These are:

- The preservation and promotion of program diversity in markets served by small cable systems.
- The rapid deployment of facilities-based broadband services in smaller markets.
- Maintaining a viable small cable sector that can respond to local community needs and interests in smaller markets.

The proposed merger has the potential to harm the public interest in these areas. If approved, AT&T Comcast would control HITS and many satellite and terrestrially delivered channels.

HITS is the dominant digital cable delivery system for smaller markets. HITS has enabled at least 200 small cable companies to offer digital cable services to their customers. A new HITS product called "HITS Quick Take" will enable many more small companies to launch digital services. Cost-effective digital offerings are essential for smaller market cable operators to meet consumer demand for more services and to compete with DBS.

In a similar vein, AT&T Comcast would control a substantial amount of satellite and terrestrially delivered programming. Continued access to this programming on fair and reasonable prices, terms, and conditions is critical for smaller cable systems to maintain viable channel lineups, especially in the face of intense competition from EchoStar and DirecTV.

² ACA Comments, pp. 4-8.

Because of acute concern over continued access to HITS and programming, ACA posed the following four questions to the parties:³

- Will AT&T Comcast continue to make HITS services available to smaller market cable systems on fair and reasonable prices, terms, and conditions?
- Will AT&T Comcast provide smaller market cable systems access to affiliated satellite programming on fair and reasonable prices, terms, and conditions?
- Will AT&T Comcast distribute affiliated terrestrially delivered programming to smaller market cable systems on fair and reasonable prices, terms, and conditions?
- Will AT&T Comcast permit distribution of programming services currently withheld from small cable systems because of exclusive contracts?

As stated in our comments, a full and fair public interest analysis requires the parties to address these questions.⁴

The parties' responses to ACA's questions. The parties' responses to ACA's questions demonstrate appropriate and responsible industry leadership. In response to ACA's comments, representatives of the parties initiated a dialogue with ACA, met with our leaders, and answered our questions fairly, directly, and without equivocation. The parties also acknowledged the important public interest issues that have been the core of ACA's agenda – the public interest in viable smaller market cable businesses and the public interest in program diversity in smaller markets through fair and reasonable access to programming. They have committed to memorializing these responses in their filings today.

Based on the parties' responses to our questions and the incorporation of those responses into the record, ACA has no objections to Commission approval of the applications. Beyond that, ACA commends AT&T and Comcast for their serious consideration of the public interest concerns of smaller market cable businesses and the consumers they serve. This reflects well on the character and leadership of the applicants, and we look forward to seeing continuing examples of such character and leadership after completion of the merger.

³ ACA Comments, pp. 9-14.

⁴ ACA Comments, p. 16.

In addition, for future reference and clarity, ACA respectfully requests the Commission include ACA's questions and the parties' responses in the final order in this docket.

Yours sincerely,

/s/

Matthew M. Polka

Cc via email: James Bird
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